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**United Nations Relief and Works Agency for Palestine
Refugees in the Near East****Strengthening the management capacity of the United Nations
Relief and Works Agency for Palestine Refugees in the
Near East****Report of the Secretary-General***Summary*

Pursuant to General Assembly resolution 3331 B (XXIX), the expenses for salaries of international staff in the service of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) which would otherwise be a charge on voluntary contributions should be financed by the regular budget of the United Nations for the duration of the Agency's mandate. In the report of the Secretary-General on strengthening the management capacity of UNRWA (A/65/705), proposals were made to grant UNRWA increased funding from the regular budget on an incremental basis over the four succeeding bienniums, starting with an increase of \$5 million for the biennium 2012-2013. In its resolution 65/272, the Assembly stressed that approval of funding for the biennium 2012-2013 and for future bienniums, taking into consideration the recommendations in the report of the Secretary-General, was subject to justification in the context of the proposed programme budget for the relevant bienniums and consideration thereof by the Assembly, and requested the Secretary-General to report to the Assembly at its sixty-seventh session on the progress made with regard to its implementation. The present report is submitted in response to that request.

* A/67/150.



The additional \$5 million received for the biennium 2012-2013 has been used to establish 13 additional posts and to reclassify 5 posts. The increased funding will assist in maintaining the management reform process under way in UNRWA and enables the Agency to deliver services more effectively to Palestine refugees, to reduce operational and administrative costs and to use donor resources most efficiently.

I. Introduction and background

1. Following the issuance of the report of the Secretary-General on strengthening the management capacity of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (A/65/705), the General Assembly adopted resolution 65/272, in which it, among other things, took note with appreciation of that report and requested the Secretary-General to continue to support the institutional strengthening of the Agency through the provision of financial resources from the regular budget of the United Nations and to report to the Assembly at its sixty-seventh session on the progress made with regard to its implementation. The present report is submitted in response to that request.

2. UNRWA has been charged, for the past 62 years, with the unique challenge of providing relief and assistance to Palestine refugees in five fields of operation (Jordan, Lebanon, the Syrian Arab Republic and, in the occupied Palestinian territory, the Gaza Strip and the West Bank, including East Jerusalem), until such time that the situation of the refugees is resolved through a just and lasting solution. That challenge is formidable. It requires the Agency consistently to offer education, health, relief and other essential services of a public nature to a population of some 5 million registered Palestine refugees in one of the most volatile regions of the world, including during situations of high political tension and armed conflict. The Agency's recurring financial crisis, however, threatens the fulfilment of its mission and the population that it serves.

3. UNRWA addresses the complex needs of the Palestine refugee population, including human development, humanitarian relief and protection. Encouraged by stakeholders, the Agency has undertaken a wide-ranging management reform process in recent years, which has transformed UNRWA and helped to sharpen its goals, planning and programme management, in particular through the development of its medium-term strategy for the period 2010-2015. The reforms have provided the basis for more effective and efficient delivery of programmes, thus strengthening the contribution of UNRWA programmes to promoting peace and stability. Providing the tools to ensure successful programmatic outcomes is the central function of the management reform process.

4. To maintain the momentum of the reform process, however, the Agency will require continued investment in oversight, direction and direct delivery of services on the ground. The previous report of the Secretary-General and resolution 65/272 represent an important contribution to this investment.

II. Implementation of resolution 65/272

5. In its resolution 66/248 A, the General Assembly adopted the programme budget for the biennium 2012-2013, which included additional funding for UNRWA in the amount of \$5 million for the biennium 2012-2013. That additional funding has enabled UNRWA to establish 13 international posts and to reclassify 5 others in areas of direct and urgent relevance to its institutional strengthening. The functions of those posts and the broader impact on management capacity are detailed below.

6. Albeit in its infancy, the process of implementing resolution 65/272 is setting a positive example of strategic cooperation between the Secretariat, the General Assembly and UNRWA in furthering, among other things, the United Nations

development goals and system-wide coherence, and in reaffirming the commitment of the international community to the well-being of the Palestine refugees. By the middle of 2012, 12 of the 13 posts had been filled. The remaining post is under recruitment and is expected to be filled in the fourth quarter of 2012. The functions supported by these posts are making a direct and measurable contribution to the Agency's ability to fulfil its mandate. For example, they have considerably strengthened its strategic reform process, thereby improving programme and financial management, including budget planning and control, internal oversight and resource mobilization. They have also greatly enhanced outreach capacity, added critical security expertise and allowed the Agency to establish a dispute tribunal.

7. The 13 posts consist of 5 Security Officers; 1 Financial Information and Systems Officer; 1 Chief of the Partnerships Division; 1 Chief of the Evaluation Division; 1 Senior Liaison Officer in the UNRWA Representative Office in Brussels; 1 Head and 1 Deputy Head of the UNRWA Representative Office in Washington, D.C.; and 1 Judge and 1 Registrar for the UNRWA Dispute Tribunal.

8. The Agency has also reclassified five posts: three posts of Field Director (Gaza, the West Bank and Lebanon) and the posts of Director of Finance and Head of Safety and Security. The actual functions of these leadership posts have developed in scope and complexity far beyond the existing classifications, making reclassification an effective low-cost and high-impact measure through which to recruit and retain senior managers with broad-spectrum operational expertise, to enhance accountability for their respective roles and to strengthen synergies between the Agency's service delivery in the field and strategic planning and support provided by its headquarters.

9. Modest enhancement of capacity in the Agency's four representative offices — each staffed by an average of only two Professionals — has facilitated engagement with the United States of America and the European Union and its member States, which, collectively, represent the Agency's largest donors, contributing 79 per cent of its core funding in 2011. The offices have proved indispensable to efforts to satisfy the increasing levels of consultation and reporting that these vital stakeholders seek and in enhancing public understanding of the Agency's purpose and work. Added capacity has also enabled the Agency to support the work of the newly established post of Chief of the Partnerships Division by pursuing expanded contributions from non-traditional donors and by crafting strategic partnerships with public and private entities that will generate income and resources for the Agency and improve its access to relevant technical expertise.

10. In addition, the upgrading of the Agency's financial functions is further promoting optimum use of resources through the introduction of measures to ensure increasingly strict financial management by all headquarters and field offices of the annual budgetary envelopes entrusted to them. The Agency's Department of Finance oversees an overall programme budget in excess of \$1.8 billion for the current biennium and the management of the Agency's Provident Fund for area staff, which has a current balance of more than \$1 billion. Moreover, in 2012, the Department assumed overall responsibility for the implementation of the Agency's enterprise resource planning system and is the focal point for the implementation of the International Public Sector Accounting Standards (IPSAS), which the General Assembly approved for adoption by the United Nations in its resolution 60/283.

11. In line with the current United Nations security management system, UNRWA is responsible and accountable to the General Assembly for the safety and security of personnel, premises and assets. It must also, among other things, provide minimum operating security standards for the some 200 UNRWA international staff members. Most UNRWA staff members (some 30,000), however, are local staff, who have not heretofore received adequate safety and security support. The implementation of resolution 65/272 has facilitated the establishment of five Field Security Officer posts (which have been filled) and the reclassification of the post of Chief of Safety and Security. This has helped to build the Agency's internal capacity in this critical area, thereby enabling the safety and security of all staff to be more effectively addressed, and to better ensure sustainable programme delivery under hazardous, high-risk and emergency circumstances. This is an important practical step, enabling UNRWA to begin mainstreaming additional safety and security measures for all staff, in particular in Gaza, the West Bank, Lebanon and the Syrian Arab Republic, where the security situations are of special concern to the Agency. In the Syrian Arab Republic, in particular, the Agency's geographically expansive operational footprint, the extreme difficulty of maintaining essential services in conflict conditions and the constant threat to staff safety underscore the critical importance of this greater capacity.

12. The establishment of the posts of Judge and Registrar represent the cornerstone of the Agency's new and urgently needed administration of justice system, in line with the reforms introduced in the Secretariat several years ago that have been mainstreamed into funds and programmes of the Organization. These two posts are the only international posts in a unit that also comprises four local positions. Together, they provide a dispute-resolution mechanism and first-tier internal justice process to approximately 30,000 staff members, providing effective and timely response and creating considerable cost-savings for the shared United Nations justice system.

Impact on the Agency's reforms

13. As outlined in the previous report of the Secretary-General, the Agency has undertaken major reform initiatives in line with the objective of strengthening its management capacity, which have been endorsed by the Secretary-General and the General Assembly. These reforms include the organizational development process prepared in close consultation with the Agency's key stakeholders, which was made operational in 2007, and, building on that process, continuing reforms of the Agency's programmes that aim to improve the effectiveness and quality of services delivered to refugees.

14. Among the results of the reform have been improvements in the Agency's resource mobilization performance, seen in the continued, albeit modest, growth in voluntary contributions to the Agency between 2008 and 2011. Part of this growth comes from non-traditional actors, including emerging-market donors, whose share of total funding to UNRWA increased during this period by 236 per cent. This positive trend will be sustained in 2012. Growing constraints on humanitarian and development funding resulting from the global financial crisis pose a challenge in the short to medium term, however.

15. The Agency has introduced significant innovations in financial management. It is currently one of few United Nations agencies to have introduced a rigorous closure of monthly accounts, a step forward acknowledged positively by the United Nations Board of Auditors. It has also implemented IPSAS, as mandated by the General Assembly, and has been IPSAS-compliant since 1 January 2012. Its implementation of such initiatives has placed UNRWA at the forefront of United Nations agencies in enacting change. Additional capacity in its financial functions is also helping to ensure that the Agency is able to adopt best practices, align itself with international standards and maintain the robust reporting and accounting standards expected of it.

Financial situation

16. UNRWA is in a financial crisis. Total programme requirements have been unfunded by an average of 12 per cent over the past four bienniums. UNRWA begins each year with an average budget deficit of approximately \$50 million.

17. With refugee numbers now approaching some 5 million, the consequent increase in fixed-cost base and the continued uncertainty as to whether contributions from donors will keep pace with budgeted needs-based expenditure in coming years, the structural nature of the funding gap faced by the Agency has become evident. UNRWA began 2012 with a deficit of \$93.5 million against a downsized General Fund budget of \$641.5 million as compared to the programme requirements of \$653.1 million, which had been approved by the General Assembly. In 2012, against the total approved programme requirements of \$653.1 million, UNRWA once again downsized its General Fund budget to \$624.7 million. Even with this reduced budget, UNRWA anticipates a funding shortfall in 2012 of around \$50 million.

18. Notwithstanding the improved fundraising efforts described herein, in addition to stringent cost-cutting and cost-containment measures, the Agency has been able only to narrowly avoid reporting year-end deficits over the past few years by depleting its working capital reserve. As at the end of 2011, the working capital reserve stood at approximately \$9.2 million (not even equivalent to nearly one quarter of a month's expenditure). Owing to the unpredictable nature of extrabudgetary donor contributions, this pattern of sustained low levels of working capital has the potential to call into question the financial viability of the Agency.

19. It is noteworthy that 85 per cent of the General Fund budget is put towards staff costs. For the Agency to maintain the quality and quantity of its services, the budgetary resources required to sustain this workforce grow commensurately with natural annual refugee population growth. Other cost factors, such as salary increases comparable to those granted in the public sector in the host countries in which UNRWA operates, pose a constant challenge to reducing spending in order to meet short-term cash flow requirements. UNRWA therefore constantly reiterates to donors that their financial contributions to the Palestine refugees remain essential in the absence of a just and durable solution to their plight, in the light of the continuing conflicts in the region and to enable UNRWA to continue its service delivery and reform activities.

20. In addition to the provision of basic services financed from its General Fund, UNRWA continues to take action to mitigate the effects of emergencies on the lives of Palestine refugees. Owing to the protracted emergency crisis in the occupied Palestinian territory, UNRWA continuously provides emergency assistance and

protection to Palestine refugees in the West Bank and Gaza. In 2012 alone, the funding requested in the emergency appeal for the occupied Palestinian territory totals \$300 million (a 20 per cent decrease from the appeal made in 2011). Given the inability to meet the needs of the appeal in 2011, UNRWA took specific steps to maximize its focus on the most basic and acute needs. By August 2012, however, funding for this downsized appeal stood at only 42 per cent.

21. The humanitarian situation in the Syrian Arab Republic has continued to deteriorate over the past months, with intensifying armed conflict and a rise in displacement, both internally and beyond the country's borders. It is estimated that 225,000 Palestine refugees in the Syrian Arab Republic are directly affected by the conflict. More than \$5 million has been pledged to date against the Agency's current consolidated regional plan of \$27.4 million. In view of the increasing humanitarian needs, an upwardly revised plan will be issued in September 2012.

22. Project funding has accounted for a considerable share of the Agency's income in recent years. Its budget requirement for projects in 2012-2013 amounts to \$681.2 million, including \$400 million for reconstruction in Gaza, \$115 million for the Nahr el-Bared camp and \$41.2 million for management support activities. As at August 2012, the Agency had received funding of \$98.5 million.

III. Conclusion

23. In his previous report, the Secretary-General suggested that the General Assembly should request him to propose increased funding from the regular budget on an incremental basis over the four succeeding bienniums, starting with an increase of \$5 million for the biennium 2012-2013. In its resolution 65/272, the Assembly stressed that approval of funding for the biennium 2012-2013 and for future bienniums, taking into consideration the recommendations in the report of the Secretary-General, was subject to justification in the context of the proposed programme budget for the relevant bienniums and consideration thereof by the Assembly. With the increased funding of \$5 million from the regular budget, UNRWA has already been able to establish and fill 12 posts, with the thirteenth under recruitment, and reclassify 5 posts. This rapid action highlights the urgency and critical nature of these posts for the Agency's programmes and continued reforms.

24. While recalling the recommendations of the Secretary-General, in particular that of increased funding from the regular budget on an incremental basis over the four succeeding bienniums, UNRWA notes that the need for additional resources from the regular budget is evident. Cognizant of the current global financial environment, and in the light of the recruitment against the additional posts financed from the \$5 million provided in the biennium 2012-2013, UNRWA will focus its efforts on maximizing the impact of these new resources and the additional capacity that they provide. This will enable it to better identify the resources needed to ensure the quality and consistency of service delivery to the Palestine refugee community while maintaining the momentum of continuing reform processes that are critical to this end. Any future requests for additional funding will be considered in the context of the submission of the proposed programme budget.



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Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples

Question of Western Sahara

Report of the Secretary-General

Summary

The present report, submitted pursuant to General Assembly resolution 66/86, summarizes the report submitted by the Secretary-General to the Security Council on the situation concerning Western Sahara in the period from 1 July 2011 to 30 June 2012.

* A/67/150.



1. The present report, covering the period from 1 July 2011 to 30 June 2012, is submitted in accordance with paragraph 7 of General Assembly resolution 66/86 on the question of Western Sahara.
2. Pursuant to Security Council resolution 1979 (2011) of 27 April 2011, I submitted a report dated 5 April 2012 to the Security Council on the situation concerning Western Sahara (S/2012/197). In that report I informed the Council of the activities of my Personal Envoy to promote negotiations on Western Sahara and of the existing challenges to the operations of the United Nations Mission for the Referendum in Western Sahara (MINURSO).
3. The period from 1 July 2011 to 30 June 2012 witnessed developments in the region related to the emergence of the Arab Spring. Triggered by unrest linked to unemployment, poverty and corruption, the movement expanded into wider claims for respect for human rights and the rule of law. Within this context, the parties to the Western Saharan conflict, as well as the neighbouring States, experienced important political developments of their own, with potential but uncertain effects on the negotiating process.
4. By the end of the two rounds of informal talks and bilateral consultations held with the parties during the period under review, they had agreed to deepen the discussion on the core issue of the future status of the territory, as well as to continue to explore discrete subjects of mutual interest, such as demining and natural resources, and had also reaffirmed, and in some cases agreed to, steps to implement prior agreements on confidence-building measures and explore new ones. However, on the core issues of the future status of Western Sahara and the means by which the self-determination of the people of Western Sahara was to occur, no progress was registered. The parties continued to adhere to what my Personal Envoy had previously characterized as "unyielding adherence to mutually exclusive positions". In short, they continued to demonstrate the political will to meet at regular intervals, but had yet to demonstrate the political will to break the stalemate.
5. The parties held the eighth round of informal talks from 19 to 21 July 2011, at the Greentree Estate on Long Island, to re-examine their two proposals and to discuss one or both of the innovative approaches or discrete subjects previously agreed upon, namely natural resources and demining. There was no breakthrough in substance, since the parties maintained their respective positions. However, agreement was reached on holding an expert-level meeting in Geneva on natural resources and to begin building a common database of existing natural resources and how they are being exploited.
6. During the eighth informal meeting, Morocco indicated that, because of its upcoming elections and the resulting formation of a new government, it would not be able to attend another round of talks or receive my Personal Envoy until January 2012. Frente Polisario indicated its readiness to meet later in 2011 but was unavailable in either December 2011 or most of January 2012 because of its periodic Congress and internal elections. My Personal Envoy therefore proposed that a new round of talks be held from 11 to 13 February 2012. However, competing demands on the heads of the delegations of both parties and the neighbouring States required a further postponement. After consultations with all concerned, a new round of informal talks was scheduled to be held from 11 to 13 March 2012 at the Greentree Estate.

7. During the hiatus between the informal meetings, my Personal Envoy visited the capitals of the member States of the Group of Friends of Western Sahara and held several bilateral meetings with the parties and the neighbouring States. From 3 to 8 November 2011, he visited Madrid, Paris and Moscow, having earlier consulted with senior officials in Washington, D.C., on 14 October 2011. He visited London on 15 December 2011 to complete the visits to the capitals. The meetings were useful, reflecting strong support of the efforts of the United Nations, continued commitment to the framework of direct negotiations set forth by the Security Council in successive resolutions and a fresh interest in moving beyond the status quo in order to find a solution.

8. In the course of his meetings, my Personal Envoy sought the support of the Group of Friends of Western Sahara for two ideas on which he had briefed the Council on 26 October 2011: consultations with and dialogue among a cross-section of Western Saharans; and consultations with a group of respected Maghreb personalities on Western Sahara. He explained that the purpose in both cases was not to replace the negotiators but to encourage discussion, new ideas and even proposals that could be put to the negotiators for their consideration. It was a way of broadening thinking on the future status of Western Sahara and of generating new ideas that might help the parties to overcome their inability to move beyond their mutually exclusive positions. The members of the Group of Friends expressed broad support for the two initiatives. Discussions with both parties on those initiatives are ongoing.

9. In the capital of each member State of the Group of Friends, my Personal Envoy also underlined that it was vital for the United Nations and the international community as a whole to have access to reliable, independent information on developments in both Western Sahara and the refugee camps in order to consider how best to promote a settlement. This could be achieved through expanded reporting by MINURSO and more frequent visits to both Western Sahara and the refugee camps by diplomats, journalists and others. There was broad agreement that more and better data was needed and that MINURSO personnel should enjoy full freedom of movement and outreach in Western Sahara and the camps and have the ability to provide independent information on significant developments, as exists in other peacekeeping operations around the world.

10. From 8 to 11 November 2011, my Personal Envoy visited Geneva to meet with United Nations agencies and to co-chair an expert-level meeting of the parties on natural resources in Western Sahara, as agreed during the eighth round of informal talks. He made it clear throughout the meeting that the discussion was merely technical and that the issue of the final status of Western Sahara should be put aside. However, the parties engaged in heated discussions and mutual accusations of a political nature, with the result that exchanges on the technical issues were limited. That said, the Moroccan experts gave detailed presentations on the status of selected resources such as fisheries, water and minerals, as well as on environmental topics such as climate change and pollution, while the Frente Polisario expert described contracts, awarded to a variety of international companies for exploration of oil and mineral resources, that were contingent upon a settlement of the Western Saharan conflict that would lead to independence.

11. The Moroccan delegation stated that Western Sahara had limited natural resources and required heavy infrastructure investments financed by the Moroccan

State to ensure its viability, particularly with regard to water services. It also affirmed that the income obtained from such exploitation benefited the local population and was sustainable. Frente Polisario strongly disagreed with both statements and posited the illegality of unsustainable exploitation of the resources of a non-self-governing territory. It also called for United Nations verification missions to ensure the sustainable exploitation of Western Sahara's natural resources. While it was clear that the parties disagreed on the current state of the natural resources and the environment in the Territory, they discussed possible next steps that could be taken on the topic during the next informal meeting, in order to attempt to build a commonly agreed database as a basis for further discussion.

12. From 11 to 13 March 2012, a new round of informal talks was held at the Greentree Estate. The parties discussed and disagreed sharply on the purpose of the negotiating process. Morocco argued that the process was meant to negotiate the details of its autonomy proposal in preparation for a referendum of confirmation. Frente Polisario countered that it was meant to open the door to all possibilities in preparation for a referendum with multiple options. Each side continued to reject the other's proposal as the basis for negotiation.

13. Two previously agreed specific subjects were discussed: on demining, the parties named focal points for further coordination and cooperation with the United Nations Mine Action Service; and on natural resources and the environment they confirmed their intention to provide the United Nations not only with focal points but also with all available information on natural resources and the state of the environment. This will permit experts from the United Nations Environment Programme (UNEP) to begin building a database as a foundation for future discussions on the state of the environment and natural resources, including possible examination of the legal aspects of current exploitation.

14. With regard to confidence-building measures, following a meeting with the Office of the United Nations High Commissioner for Refugees (UNHCR) for review of the confidence-building measures action plan held on 24 and 25 January 2012, the parties and neighbouring States welcomed UNHCR plans to lease a larger aircraft for family visits, thus greatly increasing the number of beneficiaries, and its intention to explore the possibility of arranging access to Internet cafés for separated families. They also agreed to work with UNHCR to hold two inter-Sahrawi cultural seminars, in July and October 2012, focusing, respectively, on the role of women and the significance of the tent (*al-khaima*) in Hassaniyya culture.

15. On 24 April 2012, the Security Council, of which Morocco has been a non-permanent member since 1 January 2012, unanimously adopted resolution 2044 (2012) affirming its strong support for United Nations efforts to promote a settlement of the Western Saharan conflict and extending the mandate of MINURSO until 30 April 2013. On 10 May 2012, Morocco informed me that it had a number of reservations regarding the current negotiating process. As of 30 June 2012, progress towards a settlement awaited further discussions on the way forward. As provided for in resolution 2044 (2012), my Personal Envoy will brief the Security Council in the coming months.